



STONE COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-73
September 7, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Stone, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Stone County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- ▶ The county received fees from the various neighborhood improvement districts as reimbursement of administrative costs incurred by the county. However, the county did not adequately document the amount of actual or estimated costs incurred. In addition, the county withholds one percent from the special assessments paid by the property owners within the neighborhood improvement districts and deposits these withholdings into the Assessment Fund. The audit questioned the statutory authority for these withholdings.
- ▶ The county's budgets and published financial statements did not include several funds, including the Neighborhood Improvement Districts Fund. In addition, actual expenditures exceeded budgeted amounts in several funds.
- ▶ The Prosecuting Attorney's office did not resolve a cash shortage of \$233 noted in the prior audit. In addition, the prosecuting attorney needs to improve its procedures regarding recording and depositing of receipts, bank reconciliations, liability listings, segregation of duties, and transmittal of fees to the county. Many of these concerns had been noted in the prior audit.

Also included in the audit are recommendations regarding road and bridge concerns, officials' salaries and personnel records, and general fixed asset records. The audit also suggested improvements in controls and procedures of the County Collector, County Assessor, Public Administrator, Health Center Board, and Emergency 911 Board.

YELLOW SHEET

STONE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Stone County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Stone County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling \$5,305,071 and \$9,366,302 in receipts, and \$5,942,907 and \$6,339,210 in disbursements for the years ended December 31, 1998 and 1997, respectively. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

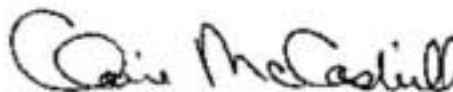
In our opinion, except for the omission of the information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Stone County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 7, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Stone County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Stone County, Missouri

We have audited the special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Stone County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

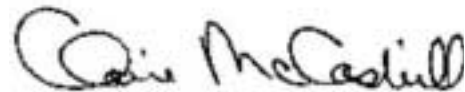
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Stone County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 803,995	1,782,117	2,041,337	544,775
Special Road and Bridge	583,769	4,050,451	3,811,226	822,994
Assessment	28,642	362,852	376,257	15,237
Law Enforcement Training	292	2,533	2,825	0
Prosecuting Attorney Training	1,241	1,045	1,114	1,172
Law Enforcement	-31,809	1,983,793	1,852,076	99,908
Law Enforcement Capital Improvement	212,025	9,003	70,855	150,173
Special Road and Bridge Projects	13,061	95,527	113,434	-4,846
Special Road and Bridge Capital Improvement	0	77,487	0	77,487
Recorder User Fee	86,259	36,591	45,117	77,733
Children's Trust/Abuse Victims	2,867	2,745	5,492	120
Seized Property	5,554	184	4,930	808
DARE	1,696	7,064	6,641	2,119
Health Center	473,231	517,570	455,672	535,129
Senior Citizens Service	133,209	139,581	147,198	125,592
Emergency 911	114,613	365,713	155,556	324,770
Circuit Clerk Interest	2,578	3,296	5,229	645
Law Library	12,808	9,113	7,840	14,081
Neighborhood Improvement Districts	3,632,851	5,235,644	5,876,552	2,991,943
Prosecuting Attorney Bad Check	4,626	11,985	8,326	8,285
Prosecuting Attorney Delinquent Tax	3,284	1,689	0	4,973
Law Enforcement Civil Fees	2,846	55,408	57,868	386
Associate Circuit Division Interest	3,845	1,914	161	5,598
Probate Division Interest	654	120	0	774
Total	\$ 6,092,137	14,753,425	15,045,706	5,799,856

The accompanying Notes to the Financial Statements are an integral part of this statement.

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 255,499	2,057,098	1,508,602	803,995
Special Road and Bridge	466,444	3,720,238	3,602,913	583,769
Assessment	17,179	365,230	353,767	28,642
Law Enforcement Training	2,071	3,215	4,994	292
Prosecuting Attorney Training	183	2,375	1,317	1,241
Law Enforcement	31,308	1,767,651	1,830,768	-31,809
Law Enforcement Capital Improvement	155,704	56,321	0	212,025
Special Road and Bridge Projects	15,306	122,696	124,941	13,061
Recorder User Fee	84,377	38,243	36,361	86,259
Children's Trust/Abuse Victims	0	2,867	0	2,867
Seized Property	2,238	5,327	2,011	5,554
DARE	4,762	2,481	5,547	1,696
Health Center	379,642	475,208	381,619	473,231
Senior Citizens Service	105,455	139,772	112,018	133,209
Emergency 911	0	243,355	128,742	114,613
Circuit Clerk Interest	6,519	3,561	7,502	2,578
Law Library	9,251	7,186	3,629	12,808
Neighborhood Improvement Districts	723,216	9,083,078	6,173,443	3,632,851
Prosecuting Attorney Bad Check	2,999	10,309	8,682	4,626
Prosecuting Attorney Delinquent Tax	1,876	1,408	0	3,284
Law Enforcement Civil Fees	0	13,673	10,827	2,846
Associate Circuit Division Interest	2,153	2,530	838	3,845
Probate Division Interest	525	129	0	654
Total	\$ 2,266,707	18,123,951	14,298,521	6,092,137

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STONE COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 342,000	345,897	3,897	336,000	327,397	-8,603
Sales taxes	446,000	463,584	17,584	446,000	445,481	-519
Intergovernmental	243,500	265,127	21,627	182,800	592,718	409,918
Charges for services	568,300	565,832	-2,468	530,600	563,828	33,228
Interest	32,500	49,500	17,000	18,000	44,180	26,180
Other	42,040	92,177	50,137	43,440	83,494	40,054
Total Receipts	1,674,340	1,782,117	107,777	1,556,840	2,057,098	500,258
DISBURSEMENTS						
County Commission	75,300	73,347	1,953	72,400	73,579	-1,179
County Clerk	80,204	75,568	4,636	79,310	76,581	2,729
Elections	134,148	125,606	8,542	107,633	85,593	22,040
Buildings and grounds	81,833	80,813	1,020	83,765	68,684	15,081
Employee fringe benefits	99,582	100,709	-1,127	79,844	82,612	-2,768
County Treasurer	46,654	44,291	2,363	45,712	45,387	325
County Collector	114,554	111,014	3,540	109,407	111,227	-1,820
Ex Officio Recorder of Deeds	85,920	80,515	5,405	81,682	80,277	1,405
Court administration	88,200	153,620	-65,420	70,000	66,175	3,825
Public Administrator	44,725	57,410	-12,685	35,850	29,139	6,711
Insurance and bonds	16,000	13,357	2,643	16,000	13,605	2,395
Extension office	37,400	37,401	-1	37,158	37,401	-243
Computer	35,750	33,715	2,035	18,866	20,244	-1,378
Other	148,978	147,255	1,723	110,664	126,449	-15,785
Planning and Zoning	94,842	84,993	9,849	82,793	80,507	2,286
Transfers out	446,163	462,438	-16,275	390,144	393,345	-3,201
Emergency Fund	25,000	359,285	-334,285	40,000	117,797	-77,797
Total Disbursements	1,655,253	2,041,337	-386,084	1,461,228	1,508,602	-47,374
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,087	-259,220	-278,307	95,612	548,496	452,884
CASH, JANUARY 1	803,995	803,995	0	255,499	255,499	0
CASH, DECEMBER 31	\$ 823,082	544,775	-278,307	351,111	803,995	452,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

STONE COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

Year Ended December 31,						
1998			1997			
		Variance			Variance	
	Budget	Favorable	Budget	Actual	Favorable	
		(Unfavorable)			(Unfavorable)	
RECEIPTS						
Property taxes	\$ 3,500	3,807	307	3,500	3,568	68
Sales taxes	2,260,000	2,368,915	108,915	2,290,000	2,258,619	-31,381
Intergovernmental	1,471,000	1,533,156	62,156	1,319,953	1,412,916	92,963
Interest	25,000	40,559	15,559	19,000	37,117	18,117
Other	5,000	78,564	73,564	5,000	8,018	3,018
Transfers in	14,873	25,450	10,577	0	0	0
Total Receipts	3,779,373	4,050,451	271,078	3,637,453	3,720,238	82,785
DISBURSEMENTS						
Salaries	737,150	702,416	34,734	704,046	695,867	8,179
Employee fringe benefits	176,330	151,409	24,921	153,510	157,174	-3,664
Supplies	155,500	121,081	34,419	156,100	152,382	3,718
Insurance	40,000	38,616	1,384	35,000	38,689	-3,689
Road and bridge materials	1,635,000	1,330,121	304,879	1,620,000	1,364,256	255,744
Equipment repairs	118,000	122,563	-4,563	120,000	123,775	-3,775
Rentals	5,000	0	5,000	4,000	10,475	-6,475
Equipment purchases	433,500	381,486	52,014	150,000	89,829	60,171
Construction, repair, and maintenance	38,000	15,956	22,044	48,000	33,999	14,001
Payments to cities	38,050	38,050	0	38,050	38,050	0
Debt service	805,000	807,400	-2,400	886,000	860,880	25,120
Other	41,565	27,128	14,437	45,100	37,537	7,563
Emergency	25,000	0	25,000	25,000	0	25,000
Transfers out	75,000	75,000	0	0	0	0
Total Disbursements	4,323,095	3,811,226	511,869	3,984,806	3,602,913	381,893
RECEIPTS OVER (UNDER) DISBURSEMENTS	-543,722	239,225	782,947	-347,353	117,325	464,678
CASH, JANUARY 1	582,226	583,769	1,543	461,545	466,444	4,899
CASH, DECEMBER 31	\$ 38,504	822,994	784,490	114,192	583,769	469,577

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

		Year Ended December 31,					
		1998			1997		
				Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
		Budget	Actual		Budget	Actual	
RECEIPTS							
Intergovernmental	\$	289,412	295,450	6,038	256,463	266,492	10,029
Other		9,800	9,765	-35	9,000	8,594	-406
Transfers in		57,637	57,637	0	90,144	90,144	0
Total Receipts		356,849	362,852	6,003	355,607	365,230	9,623
DISBURSEMENTS							
Assessor		385,491	376,257	9,234	372,786	353,767	19,019
Total Disbursements		385,491	376,257	9,234	372,786	353,767	19,019
RECEIPTS OVER (UNDER) DISBURSEMENTS		-28,642	-13,405	15,237	-17,179	11,463	28,642
CASH, JANUARY 1		28,642	28,642	0	17,179	17,179	0
CASH, DECEMBER 31		\$ 0	15,237	15,237	0	28,642	28,642

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 0	2,237	2,237	0	0	0
Charges for services	1,600	71	-1,529	2,400	1,352	-1,048
Transfers in	0	225	225	0	1,863	1,863
Total Receipts	1,600	2,533	933	2,400	3,215	815
DISBURSEMENTS						
Sheriff	1,892	2,825	-933	4,400	4,994	-594
Total Disbursements	1,892	2,825	-933	4,400	4,994	-594
RECEIPTS OVER (UNDER) DISBURSEMENTS	-292	-292	0	-2,000	-1,779	221
CASH, JANUARY 1	292	292	0	2,071	2,071	0
CASH, DECEMBER 31	\$ 0	0	0	71	292	221

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,045	1,045	0	1,400	1,037	-363
Transfers in	0	0	0	0	1,338	1,338
Total Receipts	1,045	1,045	0	1,400	2,375	975
DISBURSEMENTS						
Prosecuting Attorney	2,286	1,114	1,172	1,583	1,317	266
Total Disbursements	2,286	1,114	1,172	1,583	1,317	266
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,241	-69	1,172	-183	1,058	1,241
CASH, JANUARY 1	1,241	1,241	0	183	183	0
CASH, DECEMBER 31	\$ 0	1,172	1,172	0	1,241	1,241

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

STONE COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	\$ 1,400,000	1,442,857	42,857	1,400,000	1,381,609	-18,391
Intergovernmental	155,167	138,995	-16,172	66,400	73,882	7,482
Interest	2,000	2,987	987	2,300	958	-1,342
Other	0	4,731	4,731	15,000	11,202	-3,798
Transfers in	388,526	394,223	5,697	300,000	300,000	0
Total Receipts	1,945,693	1,983,793	38,100	1,783,700	1,767,651	-16,049
DISBURSEMENTS						
Buildings and grounds	117,613	98,830	18,783	116,365	113,348	3,017
Employee fringe benefits	191,047	156,239	34,808	161,284	146,126	15,158
Circuit Clerk	20,571	21,070	-499	16,803	19,340	-2,537
Associate Circuit Court	43,478	31,631	11,847	30,478	28,174	2,304
Court administration	37,807	33,925	3,882	42,207	46,322	-4,115
Other	71,000	60,698	10,302	76,605	65,203	11,402
Sheriff	679,068	695,897	-16,829	565,578	584,322	-18,744
Jail	241,463	256,367	-14,904	232,948	298,888	-65,940
Prosecuting Attorney	191,431	173,425	18,006	174,699	170,685	4,014
Juvenile Officer	63,261	57,932	5,329	56,910	50,803	6,107
County Coroner	15,145	17,740	-2,595	14,130	16,946	-2,816
Debt service	237,000	246,133	-9,133	265,000	237,054	27,946
Emergency	5,000	2,189	2,811	10,000	3,557	6,443
Transfers out	0	0	0	50,000	50,000	0
Total Disbursements	1,913,884	1,852,076	61,808	1,813,007	1,830,768	-17,761
RECEIPTS OVER (UNDER) DISBURSEMENTS	31,809	131,717	99,908	-29,307	-63,117	-33,810
CASH, JANUARY 1	-31,809	-31,809	0	31,308	31,308	0
CASH, DECEMBER 31	\$ 0	99,908	99,908	2,001	-31,809	-33,810

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT CAPITAL IMPROVEMENT FUND

		Year Ended December 31,					
		1998			1997		
			Variance			Variance	
			Favorable			Favorable	
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Interest	\$	3,000	9,003	6,003	4,000	6,321	2,321
Transfers in		0	0	0	50,000	50,000	0
Total Receipts		3,000	9,003	6,003	54,000	56,321	2,321
DISBURSEMENTS							
Capital improvements		100,000	70,855	29,145	50,000	0	50,000
Total Disbursements		100,000	70,855	29,145	50,000	0	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS							
		-97,000	-61,852	35,148	4,000	56,321	52,321
CASH, JANUARY 1		212,025	212,025	0	155,704	155,704	0
CASH, DECEMBER 31	\$	115,025	150,173	35,148	159,704	212,025	52,321

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE PROJECTS FUND

Year Ended December 31,						
1998				1997		
		Variance			Variance	
		Favorable			Favorable	
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS						
Intergovernmental	\$	0	0	0	26,576	26,576
Charges for services		151,811	95,527	150,000	96,120	-53,880
Total Receipts		151,811	95,527	150,000	122,696	-27,304
DISBURSEMENTS						
Special road and bridge projects		150,000	98,562	165,306	124,941	40,365
Transfers out		14,872	14,872	0	0	0
Total Disbursements		164,872	113,434	165,306	124,941	40,365
RECEIPTS OVER (UNDER) DISBURSEMENTS		-13,061	-17,907	-15,306	-2,245	13,061
CASH, JANUARY 1		13,061	13,061	15,306	15,306	0
CASH, DECEMBER 31	\$	0	-4,846	0	13,061	13,061

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND

Year Ended December 31,			
1998			
		Variance	
		Favorable	
	Budget	Actual	(Unfavorable)
RECEIPTS			
Interest	\$ 0	2,487	2,487
Transfers in	75,000	75,000	0
Total Receipts	75,000	77,487	2,487
DISBURSEMENTS			
Capital improvements	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	75,000	77,487	2,487
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 75,000	77,487	2,487

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	34,000	32,330	-1,670	25,000	33,592	8,592
Interest		6,000	4,261	-1,739	2,000	4,651	2,651
Total Receipts		40,000	36,591	-3,409	27,000	38,243	11,243
DISBURSEMENTS							
Ex Officio Recorder of Deeds		40,000	45,117	-5,117	58,550	36,361	22,189
Total Disbursements		40,000	45,117	-5,117	58,550	36,361	22,189
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	-8,526	-8,526	-31,550	1,882	33,432
CASH, JANUARY 1		86,259	86,259	0	84,377	84,377	0
CASH, DECEMBER 31	\$	86,259	77,733	-8,526	52,827	86,259	33,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST/ABUSE VICTIMS FUND

		Year Ended December 31,					
		1998			1997		
				Variance Favorable			Variance Favorable
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Charges for services	\$	2,600	2,745	145	2,600	2,867	267
Total Receipts		2,600	2,745	145	2,600	2,867	267
DISBURSEMENTS							
Abuse victims' services		5,467	5,492	-25	2,600	0	2,600
Total Disbursements		5,467	5,492	-25	2,600	0	2,600
RECEIPTS OVER (UNDER) DISBURSEMENTS		-2,867	-2,747	120	0	2,867	2,867
CASH, JANUARY 1		2,867	2,867	0	0	0	0
CASH, DECEMBER 31		\$ 0	120	120	0	2,867	2,867

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SEIZED PROPERTY FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	0	0	0	0	5,139	5,139
Interest		0	184	184	0	188	188
Total Receipts		0	184	184	0	5,327	5,327
DISBURSEMENTS							
Sheriff		5,000	4,705	295	2,238	2,011	227
Transfers out		0	225	-225	0	0	0
Total Disbursements		5,000	4,930	70	2,238	2,011	227
RECEIPTS OVER (UNDER) DISBURSEMENTS		-5,000	-4,746	254	-2,238	3,316	5,554
CASH, JANUARY 1		5,554	5,554	0	2,238	2,238	0
CASH, DECEMBER 31	\$	554	808	254	0	5,554	5,554

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

STONE COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DARE FUND

Year Ended December 31,			
1998			
		Variance	
		Favorable	
	Budget	Actual	(Unfavorable)
RECEIPTS			
Other	2,700	7,064	4,364
Total Receipts	2,700	7,064	4,364
DISBURSEMENTS			
Sheriff	4,000	6,641	-2,641
Total Disbursements	4,000	6,641	-2,641
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,300	423	1,723
CASH, JANUARY 1	1,824	1,696	-128
CASH, DECEMBER 31	\$ 524	2,119	1,595

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Property taxes	\$	209,387	210,717	1,330	183,184	197,918	14,734
Intergovernmental		188,573	211,785	23,212	185,587	197,139	11,552
Charges for services		38,815	48,560	9,745	39,400	44,748	5,348
Interest		20,500	24,037	3,537	11,000	19,221	8,221
Other		15,500	22,471	6,971	14,000	16,182	2,182
Total Receipts		472,775	517,570	44,795	433,171	475,208	42,037
DISBURSEMENTS							
Salaries and fringe benefits		374,796	357,248	17,548	334,756	287,478	47,278
Office expenditures		57,500	46,654	10,846	46,115	50,496	-4,381
Equipment		23,500	10,751	12,749	17,000	6,202	10,798
Mileage and training		26,000	13,337	12,663	10,500	12,748	-2,248
Other		67,000	27,682	39,318	24,800	24,695	105
Total Disbursements		548,796	455,672	93,124	433,171	381,619	51,552
RECEIPTS OVER (UNDER) DISBURSEMENTS		-76,021	61,898	137,919	0	93,589	93,589
CASH, JANUARY 1		472,586	473,231	645	379,062	379,642	580
CASH, DECEMBER 31	\$	396,565	535,129	138,564	379,062	473,231	94,169

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

STONE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZENS SERVICE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 130,867	128,725	-2,142	114,490	121,420	6,930
Intergovernmental	5,700	987	-4,713	0	6,822	6,822
Interest	4,000	6,098	2,098	4,000	5,570	1,570
Other	6,144	3,771	-2,373	5,960	5,960	0
Total Receipts	146,711	139,581	-7,130	124,450	139,772	15,322
DISBURSEMENTS						
Contractual services	248,120	145,897	102,223	228,013	109,825	118,188
Office expenditures	800	556	244	700	1,358	-658
Mileage and training	1,000	745	255	1,080	835	245
Total Disbursements	249,920	147,198	102,722	229,793	112,018	117,775
RECEIPTS OVER (UNDER) DISBURSEMENTS	-103,209	-7,617	95,592	-105,343	27,754	133,097
CASH, JANUARY 1	133,209	133,209	0	105,343	105,455	112
CASH, DECEMBER 31	\$ 30,000	125,592	95,592	0	133,209	133,209

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	\$ 344,500	343,767	-733
Interest	7,404	7,519	115
Other	16,445	14,427	-2,018
Total Receipts	368,349	365,713	-2,636
DISBURSEMENTS			
Salaries and fringe benefits	72,400	72,257	143
Office expenditures	10,554	19,669	-9,115
Building and equipment	27,952	41,671	-13,719
Mileage and training	4,920	7,994	-3,074
Professional fees	7,950	9,373	-1,423
Other	3,490	4,592	-1,102
Total Disbursements	127,266	155,556	-28,290
RECEIPTS OVER (UNDER) DISBURSEMENTS	241,083	210,157	-30,926
CASH, JANUARY 1	114,407	114,613	206
CASH, DECEMBER 31	\$ 355,490	324,770	-30,720

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

		Year Ended December 31,		
		1998		
				Variance
		Budget	Actual	Favorable
				(Unfavorable)
RECEIPTS				
Interest	\$	3,267	3,296	29
Total Receipts		3,267	3,296	29
DISBURSEMENTS				
Circuit Clerk		5,006	5,229	-223
Total Disbursements		5,006	5,229	-223
RECEIPTS OVER (UNDER) DISBURSEMENTS		-1,739	-1,933	-194
CASH, JANUARY 1		2,438	2,578	140
CASH, DECEMBER 31	\$	699	645	-54

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

STONE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

		Year Ended December 31,		
		1998		
		Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS				
Charges for services	\$	8,774	8,712	-62
Interest		0	401	401
Total Receipts		8,774	9,113	339
DISBURSEMENTS				
Law Library		6,000	7,840	-1,840
Total Disbursements		6,000	7,840	-1,840
RECEIPTS OVER (UNDER) DISBURSEMENTS		2,774	1,273	-1,501
CASH, JANUARY 1		12,425	12,808	383
CASH, DECEMBER 31	\$	15,199	14,081	-1,118

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

STONE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senior Citizens Service Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
DARE Fund	1997
Emergency 911 Fund	1997
Circuit Clerk Interest Fund	1997
Law Library Fund	1997
Prosecuting Attorney Bad Check Fund	1998 and 1997
Law Enforcement Civil Fees Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Probate Division Interest Fund	1998 and 1997
Neighborhood Improvement Districts Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	1998 and 1997
Law Enforcement Training Fund	1998 and 1997
Law Enforcement Fund	1997
Recorder User Fee Fund	1998
Children's Trust/Abuse Victims Fund	1998
DARE Fund	1998
Emergency 911 Fund	1998
Circuit Clerk Interest Fund	1998
Law Library Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Health Center Fund, Senior Citizens Service Fund, Circuit Clerk Interest Fund, Law Library Fund, Associate Circuit Division Interest Fund, Probate Division Interest Fund, and Neighborhood Improvement Districts Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to

invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. The county's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Health Center Board, Senior Citizens Service Board, and the Emergency 911 Board at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the name of the respective board.

3. Subsequent Event

In November 1998, the voters of Stone County approved to increase from 1/8 cent to 1/4 cent the sales tax for establishing, maintaining, and operating an enhanced emergency 911 telephone service. The tax increase is effective April 1, 1999.

Supplementary Schedule

STONE COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
Direct program:				
10.unknown	Cooperative Law/Cannabis Agreement	N/A	\$ 0	1,020
Passed through state:				
Department of Health -				
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9205	78,229	55,966
Office of Administration -				
10.7	Schools and Roads - Grants to States	N/A	25,529	26,603
U.S. DEPARTMENT OF DEFENSE				
Direct program:				
12.unknown	Contract for Law Enforcement Services	N/A	22,237	22,082
Passed through state Office of Administration -				
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	418,543	446,361
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Services -				
14.2	Emergency Shelter Grants Program	98-184F	12,000	10,000
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.6	Local Law Enforcement Block Grants Program	N/A	14,738	0
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	15,690	23,065
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,756	0
Passed through:				
State Department of Public Safety -				
16.6	Violence Against Women Formula Grant	97-VAWA-0058	17,017	0
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	139
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-104-2	57,744	0

20.6	Passed through state Department of Public Safety - State and Community Highway Safety	98-PT-02-56	1,999	0
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GENERAL SERVICES ADMINISTRATION

39.0	Passed through state Office of Administration - Donation of Federal Surplus Personal Property	N/A	1,293	0
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through state:				
Department of Health -				
93.3	Immunization Grants	PG0064-9205IAP	7,070	6,368
Department of Social Services -				
93.6	Child Support Enforcement	N/A	1,266	1,418

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Department of Health -				
94.0	Maternal and Child Health Services			
	Block Grant to the States	ER0146-8205	46,936	51,399
	Total Expenditures of Federal Awards		<u>\$ 724,047</u>	<u>644,421</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

STONE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stone County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Equitable Sharing of Seized and Forfeited Property Program (CFDA number 16.unkown) and the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u> <u>Year Ended December 31,</u>	
		<u>1998</u>	<u>1997</u>
14.231	Emergency Shelter Grants Program	\$ 12,000	10,000
20.205	Off-System Bridge Replacement and Rehabilitation Program	57,744	0

**FEDERAL AWARDS -
SINGLE AUDIT SECTION**

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Stone County, Missouri

Compliance

We have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

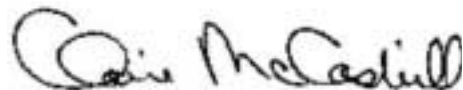
In our opinion, Stone County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

Internal Control Over Compliance

The management of Stone County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is cursive and somewhat stylized.

Claire McCaskill
State Auditor

April 7, 1999 (fieldwork completion date)

Schedule

STONE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness identified?

 x yes no

Reportable conditions identified that are
not considered to be material weaknesses?

 yes x none reported

Noncompliance material to the financial statements
noted?

 x yes no

Federal Awards

Internal control over major program:

Material weaknesses identified?

 yes x no

Reportable conditions identified that are
not considered to be material weaknesses?

 yes x none reported

Type of auditor's report issued on compliance for
major program:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

 yes x no

Identification of major program:

CFDA or
Other Identifying

Number

Program Title

12.112

Payments to States in Lieu of Real Estate Taxes

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Omission of Budgetary Information
--

The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the two years ended December 31, 1998. The lack of budgetary information for these funds, especially the Neighborhood Improvement Districts Fund, is a significant omission from the county's financial statements. Receipts which were not budgeted totaled \$5.3 million and \$9.4 million in 1998 and 1997, respectively. Disbursements which were not budgeted totaled \$5.9 million and \$6.3 million for 1998 and 1997, respectively.

Chapter 50, RSMo 1994 and RSMo Cumulative Supp. 1998, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials and boards would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission and other applicable officials and boards ensure budgets are prepared for all county funds as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

Ever sensitive to public perceptions, the County Commission is loathe to include these funds in its budget and financial statement, since it will appear to the public that the county's budget is some \$5 million or \$6 million greater than it truly is. The County Commission is confident that the public's interests are protected by the safeguards embodied in the joint development agreements and the methods of accounting thereunder. The County Commission agrees that the public should be able to inspect the budget and finances of each Neighborhood Improvement District (NID).

As a compromise, the County Commission suggests that it require each entity handling NID funds to annually provide a budget and financial statement for each NID and file such documents with the County Clerk's office for official and public inspection. Bond Counsel will be instructed to notify each entity handling NID funds of this requirement.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STONE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on the applicable finding in our prior audit report issued for the three years ended December 31, 1996.

3. Budgets and Published Financial Statements

- A. Budgets were not prepared for some county funds.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds as required by state law.

Status:

- A. Not implemented. See finding number 98-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

STONE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

2. Federal Financial Assistance

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	1995 and 1994
Questioned Costs:	\$43,058

- A.1. Daily activity reports or other documentation were not maintained of the costs incurred for wages, equipment, and materials for repairs on bridges damaged by the 1993 flood. The federal share of these expenditures totaled \$37,314.
2. Bids or proposals were not obtained for contract labor services for one project from the 1995 flood, and information was not obtained from the contractor to document that prevailing wage rates were paid to all laborers employed by the contractor. The federal share of these expenditures totaled \$5,744.

Recommendation:

The County Commission:

- A. Consult with the grantor agency to resolve the questioned costs. In the future, the County Commission should maintain adequate supporting documentation, solicit

bids, and ensure all contract laborers are paid prevailing wage rates on federally funded construction projects.

Status:

- A. The grantor agency reviewed, approved and agreed with the audit findings; however, the agency expressed the opinion that public funds had been appropriately expended on the county's projects and closed its file.

If additional assistance is received by the county from the grantor agency, the County Commission will ensure that similar problems do not occur. The County now has a computer system to assist in keeping records that will comply with the auditor's recommendation.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

STONE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We also have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 7, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in of the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Stone County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**Neighborhood Improvement Districts**

The Stone County Commission established three Neighborhood Improvement Districts (NIDs): Stonebridge, Edgewater and Black Oak. The NIDs were established to develop roads and construct water and sewage systems in the districts. A special obligation, special assessment bond series in the amount of \$3,775,000 was issued by the County Commission in July 1997 to retire a temporary construction note for the Stonebridge Neighborhood Improvement District. Special obligation temporary notes for \$1,685,000 and \$6,190,000 were issued by the County Commission during 1997 and 1998 to fund construction of the Black Oak Mountain Resort and Edgewater Village Neighborhood Improvement Districts, respectively.

The primary source of monies for bond repayment is the collection of special assessments on properties within the districts. Two payment options were developed by the county; allowing property owners to either pay the assessment in one lump sum or allocate the special assessment and related interest costs over a twenty-year payment schedule.

- A. During 1997, the county began collecting the special assessments for the Stonebridge NID. The County Commission authorized the County Collector to withhold one percent assessment fund monies from the special assessment collections. As a result, during the two years ended December 31, 1998, the County Collector withheld \$5,402 from the special assessment collections for distribution to the Assessment Fund.

We could find no express statutory authority for these withholdings. While costs actually incurred by the county can be charged in the proportionate assessments on property benefited, the county provided no documentation of out-of-pocket costs actually incurred from the Assessment Fund related to the projects. Moreover, it does not appear reasonable to continue to charge undocumented "assessment" costs annually over the life of the financing for assessments that are required to be fixed after construction is complete.

- B. The county received administrative fees totaling \$17,000 and \$12,500 in 1998 and 1997, respectively from the Edgewater and Black Oak NIDs. The administrative costs represent seven-tenths of one percent of actual construction and estimated bond costs; and are not based on actual administrative costs incurred by the county. Although costs for work done or services performed by the county in the administration and supervision of the improvement are allowed by Section 67.453, RSMo 1994, these costs should be based on actual work performed and should be documented.

The county does not have any written documentation to support administrative cost expenditures. The County Commission should review the administrative costs and collect additional amounts from the landowners or refund any excess amounts received, as applicable.

WE RECOMMEND the County Commission:

- A. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects, it may be appropriate to include those costs in the special assessments apportioned to the landowners.
- B. Document the administrative costs incurred by the county and charged to the NIDs. Any additional unreimbursed costs should be collected from the landowners. Any excess amounts collected should be refunded to landowners who have already paid their assessments, and assessments to landowners paying over the twenty-year period should be adjusted to reflect actual costs.

AUDITEE'S RESPONSE

- A. *The County Commission believes Section 137.720, RSMo, (percentage of ad valorem property tax collection to be deducted for deposit in county assessment fund) governs:*

"A percentage of all ad valorem property tax collections allocable to each taxing authority within the county and the county shall be deducted from the collections of taxes each year and shall be deposited into the assessment fund of the county as required under section 137.750. The percentage shall be ... one percent for counties of the third and fourth class."

Special assessments are ad valorem levies either of the county or by a taxing authority within the county. The County Commission believes that the Collector of Revenue is authorized, even mandated, to withhold the one percent assessment fund monies on these assessments.

The County Counselor spoke with the Bond Counsel and the Bond Counsel indicated he concurred with this response.

In addition, the County Commission fears that, if the Collector of Revenue fails to collect the one percent that the commission believes is mandated by Section 137.720, RSMo, the collector may be derelict in her duties and/or liable on her official bond.

- B. *The County Commission believes that the administrative work performed by the county for the NIDs, and the employees, equipment and supplies provided by the county to the NIDs, should not be borne by the taxpayers from the county general revenue fund. Upon inquiry, the County Commission was advised by Bond Counsel that it was entitled to an administrative fee from each NID.*

Considering that the NID administrative duties will continue for up to twenty-years for each NID, the County Commission followed the suggestion of Bond Counsel and estimated that

seventh-tenths of one percent of actual construction and estimated bond costs was a reasonable amount and would compensate the county for its administrative duties.

The County Commission believes that it has complied with the requirements of Section 67.453, RSMo. That statute does not require that the costs and actual work performed be tracked, recorded, reported, and allocated, as follows:

“'Cost', all costs incurred in connection with an improvement, including, but not limited to, costs incurred for the preparation of preliminary reports, the preparation of plans and specifications, the preparation and publication of notices of hearings, resolutions, ordinances and other proceedings, fees and expenses of consultants, interest accrued on borrowed money during the period of construction, underwriting costs and other costs incurred in connection with the issuance of bonds or notes, establishment of reasonably required reserve funds for bonds or notes, the cost of land, materials, labor and other lawful expenses incurred in planning, acquiring and doing any improvement, reasonable construction contingencies, and work done or services performed by the city or county in the administration and supervision of the improvement...”

Having the ability to track, record, report, and allocate the actual costs and actual work performed would be ideal. However, the County Commission believes that the cost of instituting and maintaining such an accounting system would be an inefficient and improvident use of county resources, since little efficiency would be gained in the county's day-to-day operations. The County Commission believes it would be imprudent to institute such a system for this purpose.

AUDITOR'S COMMENT

- A. In *Zahner v. City of Perryville*, 813 S.W.2d 855, 859 (Mo. banc 1991), the Missouri Supreme Court ruled that special assessments are not taxes. Therefore, it appears there is no authority for the county to make assessment fund withholdings from the special assessments.
- B. State law does allow the county to recoup administrative costs related to the NIDs. However, basing the recoupment solely on a percentage of actual construction and estimated bond costs provides the county no assurance that the amounts received from the NIDs approximate the actual administrative costs incurred by the county.

2.

Road and Bridge Concerns

- A. The county maintains fuel tanks in several locations throughout the county for use in road and bridge and law enforcement vehicles. Both road and bridge employees and sheriff's deputies maintain fuel usage logs to account for fuel used; however, the county does not

reconcile fuel usage to fuel purchased. Such reconciliations are necessary to enable the County Commission to fully account for all fuel expenditures and identify significant loss or theft of fuel.

A similar condition was noted in our prior report.

- B. Road and bridge foremen, grader operators and administrative clerks are allowed to use county vehicles to commute between home and work. The County Commission indicated these employees are on call 24 hours a day for emergency situations; however, the county does not keep records of mileage incurred on the county vehicles for commuting purposes.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the County Commission:

- A. Reconcile fuel purchases to fuel usage and investigate any differences.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

AUDITEE'S RESPONSE

- A. *The County Highway Commission will implement a policy and assign the duties to a county employee to reconcile fuel usage and investigate any differences.*
- B. *The County Highway Commission will implement a policy requiring employees to maintain a daily log book to record any personal commuting or use of vehicles.*

3.	Officials' Salaries and Personnel Records
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- A. The County Coroner was paid a salary of \$6,500 for each of the years ended December 31, 1998 and 1997. The County Coroner did not file a training certificate for 1997 with the county nor did he provide exemptions from the training as allowed by state law. Section 58.095, RSMo 1994, states that \$500 of the coroner's annual salary is payable only if he has completed at least twenty hours of qualifying classroom training. The

additional compensation of \$500 received during 1997 appears to be in excess of statutory allowances and should be refunded to the county.

B. Our review of the Stone County Salary Commission minutes and officials' salaries noted the following concerns:

- 1) Minutes of the November 17, 1995, salary commission meeting indicate approval of the Sheriff's and County Assessor's salaries for their terms beginning in 1997, but the minutes do not address whether the County Coroner's salary was approved or even considered. In addition, the minutes indicate the need for a legal opinion and another meeting to set the salary of the Public Administrator for her term beginning in 1997. A legal opinion was obtained from the Prosecuting Attorney which addressed the maximum compensation which could be paid to the Public Administrator; however, no subsequent salary commission meeting was held and there is no official salary commission approval for the Public Administrator's salary. The Public Administrator has received an annual salary of \$14,000 from the county, and during 1998, she received \$40,756 in fees. Section 473.739, RSMo Cumulative Supp. 1998, allows the Public Administrator to receive \$4,000 in salary from the county if her fees do not exceed \$25,000, and allows the salary commission to authorize additional compensation of up to \$10,000 if her fees do not exceed \$45,000. Because the Public Administrator received fees more than \$25,000 in 1998, it is questionable that she should have been paid \$4,000 of her \$14,000 county salary.

Future salary commission minutes should include documentation of the amounts to be paid to each official and how the amounts were calculated.

- 2) The salary commission minutes of December 11, 1997, include a motion and a vote to approve a \$1,000 increase in the Sheriff's salary to reflect 100 percent of the statutory salary based on the county's current (1997) assessed valuation. The Sheriff was the only elected official to receive a raise in 1998, although the county's 1997 assessed valuation would have raised the statutory salary of other officials. It appears questionable that the salary commission has statutory authority to increase the salary of just one official.

The County Commission should review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to the various officials.

C. Although hourly-paid employees prepare time sheets, time sheets or other records of actual time worked are not maintained by salaried employees. As a result, the County Commission has no documentation to support these payroll expenditures. In addition, time sheets prepared by some hourly-paid employees do not include documentation of supervisory approval.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time sheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

- D. Several hourly-paid employees had negative sick leave or compensatory leave balances during the two years ending December 31, 1998. In addition, some employees' vacation leave, sick leave, and compensatory leave records had not been updated for more than a year.

To ensure employees receive leave benefits only as allowed by the county's policy, employees should not be allowed to carry negative leave balances, and leave records should be updated monthly.

WE RECOMMEND the County Commission:

- A. Require the County Coroner to provide certification that he completed applicable classroom training in 1997 or an exemption from training. If training certification or an exemption cannot be provided, the County Commission should pursue reimbursement of \$500 from the County Coroner. In addition, the County Commission and County Clerk should require the County Coroner to provide certification of applicable classroom training before the \$500 training allowance is paid.
- B. Review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to each official. In addition, the County Commission should ensure future salary commission minutes document the approval of salary increases for each official.
- C. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- D. Discontinue the practice of allowing negative leave balances. Records of vacation, sick leave, and overtime earned, used, and accumulated should be updated monthly.

AUDITEE'S RESPONSE

- A. *The County Commission will advise the County Coroner that he must either provide a certificate for training or a written document authorizing the county to withhold \$500 from his annual salary. If the County Coroner does not comply, the matter will be referred to the Prosecuting Attorney for his action.*

- B. *The County Commission will have the County Counselor consult with the Prosecuting Attorney concerning elected officials' salaries, to ensure that the proper amounts were paid, and will be paid, to each according to statute and the Salary Commission's determinations.*
- C. *The County Commission requires each hourly employee to document time worked either by a time clock system or a time accounting system. Salary employees are not required to do so.*

The County Commission agrees that it should monitor the work performance of all salaried employees to ensure that such employees are satisfactorily in attendance or at work, adequately performing their tasks, and that the county is receiving the best value for its expenditures.

Consideration of the auditor's suggestion requires that the County Commission balance the need to obtain the most accurate accounting information against the county's exposure to claims for overtime and claims that employees deemed "salaried" might be able to claim hourly compensation years after work was performed.

Both the County Counselor and the county's special counsel concerning the federal Fair Labor Standards Act have verbally advised against requiring salaried employees to maintain time records.

After carefully considering both options, the County Commission has decided to follow the advice of its legal counsel.

- D. *The County Commission directed the County Clerk, and the County Clerk has instructed her staff to never allow negative leave balances.*

4.	Budgets and Published Financial Statements
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- A. Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 1998, as follows:

<u>Fund</u>	<u>1998</u>	<u>1997</u>
General Revenue	\$386,084	\$47,374
Law Enforcement Training	933	594
Law Enforcement	N/A	17,761
Recorder User Fee	5,117	N/A
Children's Trust/Abuse Victims	25	N/A
DARE	2,641	N/A
Emergency 911	28,290	N/A
Circuit Clerk Interest	233	N/A

While the county has procedures in place to periodically compare budgeted and actual expenditures, it appears the county did not adequately use such procedures to monitor expenditures or document reasons for the excess expenditures. It was also ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. The county's annual published financial statements did not include the financial activity of some county funds. Sections 50.800 and 50.810, RSMo 1994, require county financial statements be prepared and published in a local newspaper and must show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

A similar condition was also noted in our prior report.

WE RECOMMEND the County Commission and other applicable officials and boards:

- A. Keep expenditures within the budgetary limits. If valid reasons necessitate excess expenditures, the original budget should be formally amended.
- B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

AUDITEE'S RESPONSE

- A. *The County Commission agrees that the budget should be adhered to, and budget statutes should be followed. The County Commission and the County Clerk will use their best efforts to ensure that the budget is amended in accordance with the governing statutes.*
- B. *The County Commission and the County Clerk will use their best efforts to ensure that all budgetary funds under control of the commission will be published according to law, either in the county's official annual financial statement, or independently by the appropriate overseeing board or entity.*

5. General Fixed Asset Records

Our review of the County Clerk's general fixed asset records and procedures noted the following concerns:

- A. Additions and dispositions of fixed assets are not recorded in the property records as they occur. For example, transactions occurring in 1997 were not recorded until 1999. In addition, the County Clerk does not reconcile fixed asset purchases to additions to the property records. Only 4 of the 10 equipment purchases noted during our review of expenditures had been recorded in the property records.
- B. Section 51.155, RSMo Cumulative Supp. 1998 requires that physical inventories of all county owned personal property be conducted annually. Although the county indicated that a physical inventory had been conducted in 1998, no documentation of the inventory could be provided and there was no explanations why the additions noted above were not identified.
- C. Property records do not always include information applicable to the item. Information such as make/model and serial numbers are not recorded for some assets.
- D. Property records are not maintained in a manner which identifies yearly additions, deletions, and year-end balances.

Adequate general fixed asset records are necessary to safeguard assets, provide a basis for proper insurance coverage, and meet statutory requirements.

Similar conditions were noted in our prior two reports.

WE RECOMMEND the County Clerk:

- A. Maintain the property records on a current basis to reflect all additions and dispositions of general fixed assets as they occur. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.
- B. Perform and document annual physical inventories of all county owned personal property as required by state law.
- C. Record all applicable information in the property records.
- D. Maintain property records in a manner that beginning balances, additions and deletions can be reconciled to year-end balances.

AUDITEE'S RESPONSE

It is impossible to keep track of all the purchases from non-budgetary funds. It has been difficult to perform annual inventories because of lack of cooperation from some officials. We have done the best we could do with the personnel available.

6.**County Collector's Records and Procedures**

The County Collector's office processed property taxes totaling in excess of \$11 million during each of the years ended February 28, 1999 and 1998.

- A. The former County Collector's annual settlements contained errors in amounts reported which caused differences between total tax collections and distributions. For the years ended February 28, 1999 and 1998, Assessment Fund withholdings (\$213,933) were included in distributions twice, protested taxes (\$45,665), duplicate tax receipts (\$2,358), and merchant license fees (\$45,975) were omitted from distribution amounts, and tax sale surplus proceeds (\$14,428) were not included in collection or distribution amounts.

The former County Collector generated an account book at each year end; however, errors and omissions on the account book have resulted in incorrect information on the annual settlements. In addition, the County Clerk receives monthly settlements and a copy of the account book; however, the County Clerk and County Commission do not review the account book to help verify the accuracy of the annual settlements.

Section 139.160, RSMo 1994, states that “. . . the collector shall . . . settle his accounts of all monies received by him on account of taxes and other sources of revenue . . .” By incorrectly reporting collections and distributions, the former County Collector has not provided the County Commission with an accurate and complete settlement.

- B. As noted in our prior report, the former County Collector allowed his employees and other courthouse employees to cash personal checks from tax receipts. To ensure all receipts are accounted for and deposited intact, personal checks should not be cashed with official tax receipts.
- C. As noted in our prior report, the former County Collector did not correctly compute commissions and fees withheld from property taxes for the Blue Eye School District for the year ended February 28, 1997. As a result, approximately \$1,670 was over withheld from the school district and deposited into the General Revenue Fund (\$1,000) and Assessment Fund (\$670). While the former County Collector and County Commission responded in our prior report that they agreed to refund these amounts to the school district, no refunds have been made.

WE RECOMMEND the County Collector:

- A. Maintain an accurate account book and file complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.

- B. Discontinue the practice of cashing personal checks from tax receipts.
- C. And the County Commission authorize the payment of \$1,000 from the General Revenue Fund and \$670 from the Assessment Fund to the Blue Eye School District.

AUDITEE'S RESPONSE

- A. *The current County Collector will ensure this is done in the future.*
- B. *The current County Collector will look into alternative ways to allow employees to cash personal checks.*
- C. *The former County Collector agrees to discuss this with the County Commission.*

7. Prosecuting Attorney's Records and Procedures

The Prosecuting Attorney's office annually collects approximately \$61,000 in court ordered restitution, \$88,000 in restitution on bad checks, and \$17,000 in delinquent tax payments for the state. Some of the monies are received in the form of money orders and cashier's checks made payable directly to the victims or state. Three bank accounts are maintained for the deposit of cash and money orders and cashier's checks made payable to the Prosecuting Attorney's office.

- A. A cash payment totaling \$175 was received for bad check restitution in March 1998 but not recorded or deposited. Although the money was not deposited, a check was written to the victim for \$150 in March 1998, resulting in a shortage in the bank account. Upon our review of the bad check restitution account in February 1999, the bad check clerk identified the \$175 cash receipt in the case file, deposited the cash, and distributed the \$25 fee to the County Treasurer. In addition, the prior audit report identified a shortage in the bad check restitution account of \$233 that has not been recovered or resolved.

Weaknesses in internal controls as noted below appear to have allowed these discrepancies to occur and not be detected in a timely manner. The Prosecuting Attorney should investigate these discrepancies and take action to ensure the \$233 shortage identified during the prior audit is resolved.

- B. The following were noted regarding receipts:
 - 1) Receipts slips are not issued immediately for some monies received, and monies are not always deposited timely. A cash count performed December 30, 1998, identified two money orders totaling \$170 for restitution which had not been recorded. These money orders were not recorded and deposited until January 7, 1999.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies immediately upon receipt and deposits should be made daily or receipt accumulate to \$100.

- 2) The method of payment received (cash, check, money order, etc.) is not always recorded on bad check restitution receipt slips, and receipt slips issued are not reconciled to bank deposits. To ensure all receipts are deposited intact, the method of payment received should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

- C. Bank reconciliations have not been performed on the delinquent sales tax account since September 1998. In addition, bank reconciliations were attempted but not completed or agreed to the book balance for the bad check restitution account for April through December, 1998 and February, 1999.

At December 31, 1998, 37 checks written on the bad check account and 31 checks written on the restitution account, totaling \$735 and \$843, respectively, have been outstanding for over one year. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. Various statutory provisions, including Sections 447.500 through 447.595, RSMo, provide for the disposition of unclaimed monies.

The preparation of monthly bank reconciliations is necessary to ensure the bank accounts are in agreement with the accounting records and to detect errors on a timely basis.

- D. Open-items listings (liabilities) are not prepared and liabilities are not reconciled to the balances in the bank accounts. It appears that proper identification and reconciliation of liabilities would have detected on a more timely basis the discrepancies noted in Part A. above.

Only by preparing open-items listings on a monthly basis and comparing it to the reconciled bank balances can the Prosecuting Attorney be assured that the records are in balance and that sufficient cash is available to cover liabilities.

- E. Accounting duties are not adequately segregated. One clerk performs all the duties of receiving, recording, depositing, disbursing, and reconciling for the court-ordered restitution account, another clerk performs all the duties for the bad check restitution account, and a third clerk performs all the duties for the delinquent tax accounts. The clerks indicated that a review is performed by another employee, but this review is not documented.

Proper segregation of duties helps to ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- F. Bad check fees collected by the Prosecuting Attorney's office are not turned over to the County Treasurer on a timely basis. For example, the May, June, and July 1998 fees were not turned over to the County Treasurer until September 1998.

Section 50.360, RSMo 1994, requires all fees be turned over to the County Treasurer at least monthly. This section further requires that an itemized list of fees collected should be filed with the County Commission monthly.

Conditions similar to parts A-C. and E. were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Investigate the \$233 of undeposited receipts and take appropriate action to ensure the shortage in the account is corrected.
- B.1. Issue receipt slips immediately upon receipt for all monies received and deposit receipts daily or when accumulated receipts exceed \$100.
- 2. Indicate method of payment received on all receipt slips and reconcile the composition of receipt slips issued to the composition of bank deposits.
- C. Ensure bank reconciliations are prepared on a monthly basis and follow-up on all old outstanding checks.
- D. Prepare monthly open-items listings and reconcile to the cash balances.
- E. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- F. Turn over all fees to the County Treasurer on a monthly basis as required by state law.

AUDITEE'S RESPONSE

- A. *We have made arrangements with the Stone County Commission to resolve the \$233 check.*
- B.1. *It is now our policy to issue receipt slips at the time all payments are received and to make deposits daily if receipts total \$100 or more.*

- 2. *Method of payment is being recorded on all receipt slips.*
- C. *All bank reconciliations have been completed and, in accordance with statutory provisions, unclaimed monies are being turned over to the County Treasurer.*
- D. *We are attempting to prepare open-item listings for the various accounts.*
- E. *Periodic supervisory reviews are being put into place whereby the monthly reconciliations are reviewed by other individuals in the prosecutor's office.*
- F. *All fees are being turned over to the County Treasurer on a timely basis.*

8. County Assessor's Records and Procedures
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The County Assessor collects approximately \$10,000 annually from the sale of county maps.

- A. Receipt slips are not issued for some monies received. In addition, the original copies of voided receipt slips are not always retained. To ensure receipts are accounted for properly, official prenumbered receipt slips should be issued for all monies received and all copies of voided receipt slips should be retained.
- B. Some cash receipts are not transmitted to the County Treasurer. According to the County Assessor's personnel, some cash receipts are used as petty cash for expenditures of the office; however, no documentation of petty cash expenditures is retained.

Issuing receipt slips for all monies received and transmitting all receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.
- C. The County Assessor allows his employees to cash personal checks from receipts. To ensure all receipts are accounted for and transmitted to the County Treasurer intact, personal checks should not be cashed with official receipts.
- D. The County Assessor does not file monthly reports of all fees collected. Section 50.370, RSMo 1994, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Assessor:

- A. Issue official prenumbered receipt slips for all monies received and retain all copies of voided receipt slips.
- B. Transmit all receipts to the County Treasurer intact. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.
- C. Discontinue the practice of cashing personal checks from official receipts.
- D. Prepare monthly reports of fees as required by state law.

AUDITEE'S RESPONSE

- A. *Receipt slips are now issued for all receipts and all voided receipt slips are now retained.*
- B&C. *These have been implemented. The county employees have established their own fund from candy sale proceeds to cash personal checks.*
- D. *Monthly reports are now prepared and filed with the County Commission.*

9. Public Administrator's Settlements
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The Public Administrator is the court-appointed guardian and conservator for wards of the Probate Division. While the Associate Circuit Judge requires annual reports of bank balances and other asset balances for each ward, the Public Administrator has not filed annual settlements for several estates on a timely basis. For 11 cases, annual settlements have not been filed for two years. In addition, a settlement has not been filed for another estate since January 9, 1995.

Section 473.540, RSMo 1994, requires settlements to be filed annually. Timely settlements are necessary for the court to properly oversee the administration of these cases and lessens the possibility that errors or misuse of funds will go undetected.

WE RECOMMEND the Public Administrator file annual settlements on a timely basis as required by state law.

AUDITEE'S RESPONSE

I agree and will attempt to make improvements in this area. However, it is very difficult due to the size of my caseload and lack of available staff and time to complete and file all settlements and reports in a timely manner.

10.**Health Center**

A. During our review of the health center's personnel records, we noted the following concerns:

- 1) Employees keep track of their own leave balances and record leave activity on their time sheets; however, the health center's master leave records have not been updated since 1997. In addition, leave records indicate four employees were allowed to accumulate vacation leave beyond the maximum allowed by the health center's personnel policy. To ensure that leave balances are accurate and employees are treated equitable, leave time earned and taken should be recorded on a timely basis and the health center should follow the personnel policy regarding the maximum accumulation of vacation leave.
- 2) The health center has a policy that prohibits employees from being compensated for accrued compensatory time upon termination of employment. Any compensatory time accrued will be lost upon termination. This policy may not comply with the Fair Labor Standards Act (FLSA). In addition, one employee had an accumulated compensatory time balance of 381 hours at December 31, 1998. The FLSA provides that covered employees may accumulate up to 240 hours of compensatory time and amounts greater than that are to be compensated in pay.

The health center should take steps to address the excess compensatory time balances and establish compensatory time procedures to ensure compliance with the FLSA.

- 3) Health center employees are required to complete time sheets; however, supervisory approval is not documented on the time sheets. Employee time sheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

B. The health center's general fixed asset records need improvement as follows:

- 1) The property records do not include the health center's land, building, and building improvements.
- 2) Additions of fixed assets are not always recorded as they occur. Our review noted at least three items purchased during the audit period had not been recorded on the records. In addition, the health center does not reconcile fixed asset

purchases to additions to the property records to ensure all applicable items are added to the property records.

- 3) Property records are not maintained in a manner which identifies yearly additions, deletions, and year-end balances.

Adequate general fixed asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

Conditions similar to Parts A.1. and B. were noted in our prior report.

WE RECOMMEND the Health Center Board of Trustees:

- A.1. Ensure the master leave records are updated monthly and discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.
2. Take steps to address the excess compensatory leave balances and establish policies to ensure compliance with FLSA.
3. Require documentation of supervisory approval on all time sheets.
- B.1. Include the cost of land, buildings, and building improvements on the property records.
2. Record all additions of fixed assets as they occur and ensure general fixed asset purchases are reconciled periodically to additions to the property records.
3. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A.1. *We are currently updating our master leave records and plan to discuss our leave policy with the board.*
2. *We will review the current policy with the board.*
3. *I will start initialing all time sheets to indicate my approval.*
- B. *These recommendations have already been implemented.*

- A. The Emergency 911 Board purchased a new vehicle in August 1997, which the 911 Administrator uses to commute between home and work. The board indicated the administrator is on call 24 hours a day for emergency situations; however, no vehicle usage records are kept and there are no records which distinguish commuting mileage from business-related mileage. From August 1997 to June 1999, approximately 44,000 miles were incurred on the vehicle.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the board may be subject to penalties and/or fines for failure to report all taxable benefits.

- B. Time sheets are not prepared to document actual hours worked. Time sheets or time records are necessary to document payroll expenditures and to ensure compliance with the Fair Labor Standards Act (FLSA).
- C. Some checks were not issued in numerical sequence. In addition, voided checks were not retained. To ensure all checks are accounted for, checks should be issued in numerical sequence. If a check is voided, this should be indicated and the check should be mutilated and retained.
- D. The Emergency 911 Board's general fixed asset records did not reflect the cost of the items. In addition, the vehicle used by the 911 Administrator was not included in the records. Adequate general fixed asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

WE RECOMMEND the Emergency 911 Board:

- A. Comply with IRS guidelines for reporting fringe benefits related to commuting in the official vehicle. In addition, the board should establish a written policy for the 911 Administrator regarding the appropriate use of the vehicle for commuting purposes and ensure records are kept which distinguish commuting and business mileage.
- B. Require all employees to prepare monthly time sheets.
- C. Issue checks in numerical order and retain voided checks.
- D. Record the cost of all general fixed assets and ensure all items are included on the records.

AUDITEE'S RESPONSE

The Director of County 911 Emergency Services provided the following response:

- A. We will start maintaining a vehicle mileage log, and any personal miles will be documented on the log and reported as fringe benefits.*
- B. We have started preparing time sheets.*
- C. This has been implemented.*
- D. We have now included the cost of all the items and the vehicle on our inventory list.*

This report is intended for the information of the management of Stone County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

STONE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on findings in the Management Advisory Report (MAR) of our prior report issued for the three years ended December 31, 1996. Finding numbers 2.A., and 3.A., are omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. County Expenditures

- A. The county paid \$134,375 to the local chamber of commerce for marketing campaigns to promote tourism. These payments were not supported by written contracts or documentation of the chamber's actual expenditures.
- B. The county paid \$8,329 from the Children's Trust/Abuse Victims Fund to a local domestic violence shelter without obtaining service contracts or documentation of the use of funds.
- C. The county did not obtain bids or ensure all efforts to obtain bids were adequately documented for purchases totaling approximately \$369,500.
- D. Fuel usage was not reconciled to the fuel purchases.
- E. The county entered into a written agreement with an attorney to provide legal services to the county without evaluating the cost effectiveness of employing a salaried attorney to perform regular on-going duties handled by the outside attorney.

Recommendation:

The County Commission:

- A. Obtain periodic information from the chamber of commerce regarding increases in tourists directly related to the county's marketing campaigns to help determine the propriety of county funds spent on these marketing campaigns. If the county determines these services are desirable and beneficial, the County Commission should obtain written contracts for all payments made to the chamber which provide the county a means of monitoring the use of the county's funds.
- B. Enter into a written contract with the domestic violence shelter regarding the services provided by the shelter.
- C. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- D. Reconcile fuel purchases to fuel usage and investigate any differences.

- E. Analyze whether employing a salaried attorney would be cost beneficial to the county.

Status:

A&B. Implemented.

- C. Partially implemented. Our review noted four purchases during the current audit period totaling \$31,715 which were not bid. Although not repeated in the current report, our recommendation remains as stated above.

- D. Not implemented. See MAR No. 2.

- E. Implemented. Effective January 1, 1999, the attorney is paid an annual salary of \$35,000.

2. Federal Financial Assistance

- B. The county's personnel policies did not adequately comply with the Drug-Free Workplace Act.

Recommendation:

The County Commission:

- B. Amend its personnel policy and adopt awareness programs sufficient to comply with the Drug-Free Workplace Act.

Status:

- B. Implemented.

3. Budgets and Published Financial Statements

- B. The annual published financial statements did not include financial activity for some county funds.

Recommendation:

The County Commission:

- B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

Status:

- B. Not implemented. See MAR No. 4.

4. Computer Controls

- A. The county did not have an adequate password system or procedures to restrict access to the computer system used by the County Clerk and the County Treasurer.
- B. Computer usage logs are not generated and reviewed for the computer system.

Recommendation:

The County Commission:

- A. Implement a password system which restricts employee access. Passwords should be kept confidential and should be changed periodically.
- B. Require computer usage be reviewed to ensure access has been restricted to appropriate job assignments.

Status:

- A. Implemented.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

5. Planning and Zoning Records and Procedures

- A. Receipt slips were not issued for some monies received.
- B. Receipt slips were not issued in numerical sequence and as many as three receipt books were used simultaneously. In addition, the original copies of voided receipt slips were not always retained.
- C. Receipts were not transmitted intact to the County Treasurer. In addition, a log or listing of receipts was not prepared.
- D. The Planning and Zoning Administrator, who was responsible for receiving and depositing monies, was not bonded.

Recommendation:

The County Commission ensure:

- A. Prenumbered receipt slips are issued for all monies received.
- B. Receipt slips are issued in numerical order and the numerical sequence is accounted for properly. In addition, all copies of voided receipt slips should be retained.
- C. All receipts are transmitted intact to the County Treasurer. In addition, a listing of all receipts should be prepared and the listing should be reconciled to receipt slips issued and amounts transmitted to the County Treasurer.

D. Bond coverage is obtained for the Planning and Zoning Administrator.

Status:

A-D. Implemented.

6. Prosecuting Attorney's Records and Procedures

A. Receipts totaling \$233 for bad check restitution and fees were received and recorded but were not deposited into the bad check bank account. The bad check fees of \$35 were disbursed to the County Treasurer, resulting in a shortage in the bank account. The restitution amounts of \$198 were not paid to the victims.

B.1. Monies received in the mail were not recorded timely.

2. The method of payment received (cash, check, money order, etc.) was not recorded on receipt slips, and receipt slips issued were not reconciled to bank deposits.

3. Checks and money orders were not restrictively endorsed until deposits were prepared.

C. Bank reconciliations were not prepared on a monthly basis.

D. Accounting duties were not adequately segregated.

E. Bad check fees were sometimes waived and no documentation of authorization was maintained.

Recommendation:

The Prosecuting Attorney:

A. Investigate the \$233 of undeposited receipts and take appropriate action to ensure the shortage in the account is corrected and the restitution is paid to the victims.

B.1. Issue receipt slips immediately upon receipt for all monies received.

2. Indicate the method of payment received on all receipt slips and reconcile the composition of receipt slips issued to the composition of bank deposits.

3. Restrictively endorse checks and money orders immediately upon receipt.

C. Ensure bank reconciliations are prepared on a monthly basis.

D. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

E. Document his authorization to waive collection of the bad check fee.

Status:

A, B.1, B.2,
C&D. Not implemented. See MAR No. 7.

B.3.&
E. Implemented.

7. County Collector's Records and Procedures

- A. Tax receipts did not always indicate the method of payment received.
- B. Receipts were not always recorded and deposited on a timely basis.
- C. The County Collector allowed his employees and other courthouse employees to cash personal checks from tax receipts.
- D. There appeared to be no statutory authority for the County Collector to collect a \$15 fee for non-sufficient funds checks.
- E. The County Collector did not correctly compute commissions and fees withheld from property taxes for the Blue Eye School District. An incorrect ratio was used when computing commissions and fees for the effect of Proposition C, and as a result, \$1,670 was over withheld from the school district.

Recommendation:

The County Collector:

- A. Indicate the method of payment received on each tax statement issued and reconcile total cash, checks, and money orders received to bank deposits.
- B. Record and deposit all receipts immediately upon receipt.
- C. Discontinue the practice of cashing personal checks from tax receipts.
- D. Discontinue collecting the \$15 nonsufficient funds check fee.
- E. And the County Commission authorize the payment of \$1,000 from the General Revenue Fund and \$670 from the Assessment Fund to the Blue Eye School District. In addition, the County Collector should ensure future Proposition C commissions are computed correctly.

Status:

A&B. Implemented.

C. Not implemented. See MAR No. 6.

- D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- E. Partially implemented. No concerns were noted during the current audit regarding Proposition C commissions; however, the recommended payments were not made to the Blue Eye School District. See MAR No. 6.

8. County Assessor's Records and Procedures

- A.1. Receipt slips were not issued for some monies received and voided receipt slips were not always retained.
 - 2. Receipt slips were used as billing statements when requests for maps were received by phone. When payments were received, new receipt slips were not prepared.
 - 3. Some cash receipts were used for petty cash expenditures of the office; however, no documentation of petty cash expenditures was retained.
- B. The County Assessor did not file monthly reports of fees collected.
- C. Work orders sent to the County Commission did not contain sufficient detail to support changes to assessed valuations on real and personal property.

Recommendation:

The County Assessor:

- A.1. Issue official prenumbered receipt slips for all monies received and retain all copies of voided receipt slips.
 - 2. Issue receipt slips only when monies are received and discontinue using receipt slips as billing statements.
 - 3. Transmit all receipts intact daily to the County Treasurer and discontinue using cash receipts for petty cash expenditures.
- B. Prepare monthly reports of fees as required by state law.
- C. Ensure work orders contain sufficient detail of the changes made to assessed valuations.

Status:

A.1, A.3,
&B. Not implemented. See MAR No. 8.

A.2
&C. Implemented.

9. Sheriff's Records and Procedures

- A.1. Receipt slips were not always issued in numerical order and voided receipt slips were not always retained.
- 2. Receipts were not deposited intact on a timely basis and the composition of receipt slips issued was not reconciled to bank deposits.
- 3. Bond receipt slips issued by the jailers were not reconciled to bond monies turned over to the bookkeeper.
- 4. Listings of gun permit fees received were not prepared and the number of permits issued was not reconciled to fees collected.
- B. The cash control ledger did not include some receipts and disbursements, monthly totals for some months, or periodic cash balances.
- C. Monthly listings of open items (liabilities) were not prepared, and consequently, were not reconciled to book and bank balances.
- D. Some accounting records were not retained by the former Sheriff.
- E. The county contracted with the Springfield Police Department Property Unit to perform a review of seized property. Several recommendations were made to the Sheriff to improve seized property records and procedures.
- F. Records to account for the issuance and ultimate disposition of traffic tickets were not adequate.

Recommendation:

The Sheriff:

- A.1. Issue receipt slips in numerical order and retain all copies of voided receipt slips.
- 2. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, the composition of receipt slips issued should be reconciled to bank deposits.
- 3. Reconcile bond receipt slips issued by jailers to bond monies turned over to the bookkeeper.
- 4. Prepare listings of gun permit fees received and reconcile the number of permits issued to the amount of permit fees received.
- B. Maintain a complete cash control ledger noting all receipts and disbursements and periodic cash balances.
- C. Prepare monthly listings of open items and reconcile to book and bank balances.
- D. Retain all accounting records.

- E. Address the concerns noted and implement the recommendations made by the Springfield Police Department Property Unit regarding seized property.
- F. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

Status:

A-F Implemented.

10. Division II of the Circuit Court

- A. Accounting duties were not adequately segregated.
- B. A complete listing of amounts due to the court was not periodically generated and reviewed.

Recommendation:

The Associate Circuit Judge:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Ensure complete listings of amounts due the court are periodically generated and reviewed and the appropriate follow-up action taken.

Status:

- A. Implemented.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

11. County Clerk's Records and Procedures

- A. Receipts were not deposited on a timely basis, receipts were not always deposited intact, and the method of payment received was not recorded on receipt slips.
- B.1. Additions and dispositions of fixed assets were not recorded in the property records as they occurred. In addition, the County Clerk did not reconcile general fixed asset purchases to additions to the general fixed asset inventory.
 - 2. Annual physical inventories of all county owned personal property were not conducted as required by state law.
 - 3. Property records did not always include all applicable information for each asset.
 - 4. Property records were not maintained in a manner which identified yearly additions, deletions, and year-end balances.

Recommendation:

The County Clerk:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, the method of payment received should be recorded on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.
- B.1. Maintain the property records on a current basis to reflect all additions and dispositions of general fixed assets as they occur. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.
 - 2. Perform annual inventories of all county owned personal property as required by state law.
 - 3. Record all applicable information in the property records.
 - 4. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 5.

12. Health Center

- A.1. The property records did not include the health center's land, building, and building improvements.
 - 2. Dispositions of fixed assets were not always recorded.
 - 3. General fixed asset records were not maintained in a manner which identified yearly additions, deletions, and year-end balances. In addition, the health center did not reconcile purchases of general fixed assets to the amounts added to the property records.
- B. Three employees were allowed to accumulate vacation leave beyond the maximum allowed by the health center's personnel policy.
- C. Time sheets were not located for some employees.

Recommendation:

The Health Center Board of Trustees:

- A.1. Include the cost of land, buildings, and building improvements on the property records.
 - 2. Record all dispositions of fixed assets as they occur.

- 3. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.
- B. Discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.
- C. Ensure time sheets are prepared by all employees and retained.

Status:

A.1, A.3

&B. Not implemented. See MAR No. 10.

A.2

&C. Implemented.

13. Senior Citizens Service Board

- A. A member of the Senior Citizens Service Board (SCSB) was appointed treasurer and served as custodian of the Senior Citizens Service Fund. There was no statutory authority which allowed the board to maintain custody of this fund.
- B. Budgets prepared by the SCSB did not adequately reflect the board's anticipated financial condition for the three years ended December 31, 1996. Appropriations were budgeted to use all available resources.

Recommendation:

The Senior Citizens Service Board:

- A. Turn over custody of the Senior Citizens Service Fund to the County Treasurer.
- B. Estimate expenditures as closely as possible to the anticipated actual amounts to more accurately reflect the board's financial condition.

Status:

- A. Not implemented. The SCSB and the County Commission believe the funds should remain in the custody of the SCSB Treasurer. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The board no longer budgets to use all available resources; however, budgeted expenditures were still not reasonable for the current audit period. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STONE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Stone was named after William Stone, a pioneer judge of Taney County. Stone County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Galena.

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Stone County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE		1998		1997	
		AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$	349,704	6	330,965	6
Sales taxes		2,832,499	48	2,704,100	47
Federal and state aid		1,798,283	31	2,005,634	34
Fees, interest, and other		852,082	15	736,637	13
Total	\$	5,832,568	100	5,777,336	100

The following chart shows how Stone County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE		1998		1997	
		AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$	2,041,337	35	1,508,602	30
Highways and roads		3,811,226	65	3,602,913	70
Total	\$	5,852,563	100	5,111,515	100

In addition, Stone County received \$1,589,570 and \$1,467,651 in revenues in the Law Enforcement Fund and expended \$1,457,853 and \$1,530,768 for the purpose of public safety in 1998 and 1997, respectively.

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The county maintains approximately 18 county bridges and 527 miles of county roads.

The county's population was 9,921 in 1970 and 19,078 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		1998	1997	1985*	1980**	1970**
		(in millions)				
Real estate	\$	206.6	200.9	82.6	26.7	11.4
Personal property		54.9	52.3	20.2	13.3	5.0
Railroad and utilities		8.9	9.1	5.5	4.3	2.8
Total	\$	270.4	262.3	108.3	44.3	19.2

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Stone County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		1998	1997
General Revenue Fund	\$.13	.13
Health Center Fund		.08	.08
Senior Citizens Service Fund		.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	\$	82,317	79,272
General Revenue Fund		359,849	346,768
Special Road and Bridge Fund		3,379	3,793
Assessment Fund		111,359	108,068
Health Center Fund		218,474	210,099
Senior Citizens Service Fund		134,058	128,550
School districts		9,010,964	8,697,364
Library district		191,558	180,048
Fire protection districts		717,152	702,954
Junior College		6,709	5,331
Neighborhood Improvement District		175,749	355,430
Cities		22,572	25,863
County Clerk		495	566
County Employees' Retirement		60,095	60,352
Commissions and fees:			
General Revenue Fund		214,609	204,467
Total	\$	11,309,339	11,108,926

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Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	89.6 %	89.7 %
Personal property	89.0	89.2
Railroad and utilities	100.0	100.0

Stone County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date
General	\$.005	None
Road capital improvements	.005	2001
Law enforcement	.005	None
Emergency 911	.00125	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
Tony DeLong, Presiding Commissioner	\$	20,000	20,000
Alden Hembree, Associate Commissioner		20,000	20,000
Denny McCrorey, Associate Commissioner		20,000	20,000
Carolyn Dean, County Clerk		32,500	32,500
J. Patrick Sullivan, Prosecuting Attorney		37,000	37,000
Richard Hill, Sheriff		39,000	38,000
Vicki A. May, County Treasurer		21,680	21,680
Rick Stumpff, County Coroner		6,500	6,500
Glenda (Wendy) Metcalf, Public Administrator *		54,756	27,942
Charlie Houser, County Collector,			
year ended February 28,	38,134	38,134	
Allen Berkstresser, County Assessor , year ended			
August 31,**		42,400	29,675
John Read, County Surveyor ***		N/A	N/A

* Includes fees received from probate cases.

** Includes \$900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Cathy Shortt, Circuit Clerk and		
Ex Officio Recorder of Deeds	42,185	40,176
William T. Kirsch, Associate Circuit Judge	85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Number of Employees Paid by

Office	County	State
County Commission	5	0
Circuit Clerk and Ex Officio Recorder of Deeds*	5	3
County Clerk	5	0
Prosecuting Attorney	6	0
Sheriff	30	0
County Treasurer	1	0
County Coroner	1	0
County Collector *	3	0
County Assessor	11	0
Associate Division***	3	2
Probate Division*	1	1
Road and Bridge	34	0
Health Center*	13	0
Planning and Zoning**	4	0
Emergency 911	3	0
Total	<u>125</u>	<u>6</u>

* Includes one part-time employee.

** Includes two part-time employees.

*** Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Stone County's share of the Thirty-Ninth Judicial Circuit's expenses is 25 percent.

In 1992, the county entered into a \$2.9 million cancelable lease for the purchase of the county law enforcement center. In 1998, the county received an additional \$1 million in lease funding to construct an addition to the law enforcement center. Principal and interest payments are made from the Law Enforcement Fund. At December 31, 1998, the principal balance of the lease was \$3.5 million. If the county makes the minimum lease payments, the lease will be paid in full by 2011.

In 1993, the county entered into a \$5 million cancelable lease for the paving of county roads. Principal and interest payments are made from the Special Road and Bridge Fund. At December 31, 1998, the principal balance of the lease was \$2.2 million. If the county makes the minimum lease payments, the lease will be paid in full by 2001.

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Stone County has established three Neighborhood Improvement Districts: Stonebridge, Edgewater, and Black Oak. A special obligation, special assessment bond series of \$3.8 million was issued by the County Commission in July 1997 to retire a temporary construction note for the Stonebridge Neighborhood Improvement District. Special obligation temporary notes for \$1.7 and \$6.2 million were issued by the County Commission during 1997 and 1998 to fund construction of the Black Oak and Edgewater Neighborhood Improvement Districts, respectively. These are special obligation bonds of the county and special assessments will be levied on the

property located in the development project to pay the debt principal and interest.

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